GULF OIL CANADA LIMITED 1970 Annual Report

GULF OIL CANADA LIMITED/1970 ANNUAL REPORT

CONTENTS

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Concert Hall of the Royal York Hotel, Toronto, at 2:00 p.m., April 29, 1971.

Front Cover

Gulf Canada's service station development program in 1970 was directed in particular to outlets which could provide a broader range of services to the motoring public, including attractive restaurant facilities on main tourist routes. This new location is at Canmore, Alberta.

On peut obtenir ce rapport annuel en français sur demande.

HIGHLIGHTS OF OPERATIONS

FINANCIAL	1970	1969
Earnings before extraordinary item	$ 39,201,000	$ 45,518,000
Per share	$ .86	$ 1.00
Earnings for the year	$ 40,364,000	$ 45,518,000
Per share	$ .89	$ 1.00
Total dividends to shareholders	$ 27,222,000	$ 26,636,000
Rate per share at year-end	$ .60	$ .60
Shareholders' equity at year-end	$674,391,000	$660,682,000
Per share	$ 14.86	$ 14.57
Capital expenditures	$178,394,000	$112,768,000
Working capital	$177,189,000	$224,655,000
Long term debt	$205,087,000	$157,624,000

OPERATING	*Millions of cubic feet*	
Net natural gas produced and sold	143,862	129,572
	Thousands of barrels	
Net crude oil and natural gas liquids produced	33,643	31,352
Crude oil processed by and for the Company	74,744	72,012
Refined products sold	77,111	75,318
	Thousands of pounds	
Petrochemical sales	570,050	484,511

REPORT TO SHAREHOLDERS

Although Gulf Canada showed increases in all operating areas, consolidated net earnings in 1970 declined to $40.4 million, including an extraordinary gain of $1.2 million related to the freeing of the Canadian dollar. Excluding the foreign exchange gain, net earnings of $39.2 million compared with $45.5 million recorded for 1969. Earnings per share amounted to 86 cents (89 cents including the foreign exchange gain), compared with $1.00 in 1969.

Net production of crude oil and natural gas liquids was up 7.3 per cent over 1969, while sales of natural gas rose eleven per cent. Refined product sales showed a volume gain of 2.4 per cent, and crude oil processed increased 3.8 per cent over 1969.

Details of financial and operating results appear later in this report.

The year was an eventful one for the entire Canadian economy and for the oil and gas industry. While some problems continue to confront the industry in Canada, the prospects are excellent for its future development.

Although a slowdown in the economy, high unemployment and strong inflationary pressures had some impact on markets, Canadian production of crude oil and natural gas liquids reached an all-time high, averaging some 1.5 million barrels per day, a 12 per cent increase over 1969. Growth in demand in Canada was relatively low, but exports to the United States rose to an average of 665,000 barrels daily, a 19 per cent increase over 1969.

During the year, the National Energy Board approved sizeable additional exports to the U.S. of natural gas considered to be surplus to foreseeable Canadian requirements. While Canada's present exports of two billion cubic feet per day amount to only about three per cent of the total U.S. demand, this volume represents some 40 per cent of marketable Canadian production and is an important source of revenue to the industry. Total sales of natural gas for the year 1970 rose to a record of 4.9 billion cubic feet per day, an increase of 17 per cent over 1969.

Developments in the supply and demand of energy in the U.S. continue to exert major influence on the Canadian petroleum industry. In February, 1970, a special U.S. cabinet task force delivered a long-awaited report on the U.S. oil import program. While it contained a number of controversial conclusions, there was unanimity in the recommendation that the U.S. should place more reliance on relatively secure imports of crude oil from Canada, noting that Eastern Canada's own dependence on overseas sources of crude oil was a potentially vulnerable link in the continental supply pattern. In spite of the recommendations of the task force, the U.S. government proceeded to place limitations on imports of Canadian crude oil for the balance of the year.

Toward the end of 1970, the U.S. government again took steps to increase the level of imports of petroleum liquids from Canada. A number of critical developments brought about this change in policy, among them the cumulative disruptions in the normal flow of crude oil to world markets from the producing countries of the Middle East and North Africa, and the increasing demands for low-sulphur fuels in the industrial and electric power generation sectors.

The situation with regard to the supply and price for crude oil from overseas to markets in the U.S. and Canada has created much uncertainty as to the requirements which will be placed on Canadian production. The result of the recent negotiations and possible legislation arising from the demands made by the Organization of Petroleum Exporting Countries could change significantly the supply patterns of both Canada and the U.S. It would seem, however, that these developments will probably result in additional markets for Canadian crude oil. In fact, Canada's problem could well change from trying to find markets for Canadian crude to not having sufficient supply to meet the demand.

During the year, the National Energy Board took further steps to enforce the National Oil Policy by restricting the importation of gasoline into Canada when destined for areas west of the Ottawa Valley. It is hoped that the government will soon take effective steps to stop the movement across the National Oil Policy line of gasoline refined in Eastern Canada from imported crude oil.

All forecasts of petroleum supply and demand for North America indicate future deficiencies of available supply from Canadian and U.S. domestic sources, even allowing for production from the North Slope of Alaska. Such potential shortages emphasize the necessity for the industry to find additional sources of supply. Unfortunately, serious

uncertainties currently exist in Canada that tend to hinder the Canadian industry including:

> the long-promised new regulations, not yet revealed, governing the exploration and development of federally-owned Crown reserve lands, mainly in the Northwest Territories and Arctic "frontier" areas, replacing those revoked by the government last year; the proposed changes in taxation contained in the White Paper on Tax Reform; and the unsettled governmental policy on foreign investment.

Early clarification of these problems would help the industry to assess its position with regard to exploration of the frontier areas of Canada. In spite of these uncertainties, Gulf Canada is proceeding with the exploration of its substantial land holdings because of the extreme importance of fully realizing the potential of these frontier areas from national, industry and Company standpoints.

A potential major problem facing the industry is the transportation of both crude and natural gas from the Far North. It would be an advantage to the Canadian industry if the pipe line to carry Alaska crude were laid through Canada, thus also providing a means of transportation for crude which is expected to be found in the Canadian north. Gulf Canada is a participant in the Mackenzie Valley Pipeline Research Company which is investigating the feasibility of such a line.

In the Canadian chemical industry, profitability continued to decline due to erosion of selling prices, rising costs, and continued encroachment of imports. As in previous years, U.S. overcapacity and the advantage of larger-scale operations adversely affected the level of Canadian prices. The situation was aggravated by insufficient Canadian tariff protection and by duties levied against Canadian products sold in the U.S. The prolonged automotive strike and the recent increase in value of the Canadian dollar also had an adverse effect on the Canadian chemical industry's export efforts.

The economic effect of the fragmentation of Canadian chemical production into small-scale plants becomes more critical in the present circumstances when production costs continue to rise in the face of softening product prices. The decline in profits has discouraged new construction, plant expansion,and research and development.

The problems of meeting the rapidly increasing energy requirements of the North American continent have received much attention lately. Since a highly industrialized society is, almost by definition, a large consumer of energy, it follows that a nation's economic strength, growth, and security will depend upon the availability and continuity of supply of its energy requirements. Canada's objectives of full employment, a higher standard of living, and improved quality of the environment require a continuously expanding economic base which, in turn, demands a steadily rising use and supply of energy. It is essential that Canada's interests and objectives in the development of its energy resources be studied, understood, and defined as soon as possible.

Since our last Annual Report, Alfred Powis has been elected to the Board of Directors. Mr. Powis, President and Chief Executive Officer of Noranda Mines Limited, succeeded Fraser W. Bruce who requested that he not be re-nominated at the Annual Meeting.

It is with regret we record the death of Charles L. Suhr, Director Emeritus. Mr. Suhr was a Director of the Company from 1909 to 1962.

R. E. Harris, formerly Vice-President of Gulf Canada's Supply and Transportation Department, was appointed Vice-President of the Refining Department. He succeeded J. L. Stoik, who became Executive Vice-President and Chief Executive Officer of the Korea Oil Corporation. J. W. Morgan, Vice-President, was assigned executive responsibility for the Supply and Transportation Department. R. T. Brown was elected Vice-President—Marketing, succeeding C. G. Mueller, who retired. Mr. Brown joined Gulf Canada as Advertising and Marketing Co-ordinator in 1966, and most recently was Director—Marketing Administration for the Company.

The loyalty and dedicated efforts of all the employees who have contributed to our growth are indispensable to the Company's future. To them—and to our dealer organization, customers, and shareholders who have given us their confidence and support—we extend sincere thanks. With their continuing and enthusiastic help, we are confident that 1971 will demonstrate continued progress in the development of Gulf Canada.

On behalf of the Board,

Chairman of the Board. President.

Toronto, Ontario, March 25, 1971.

EXPLORATION AND PRODUCTION

To take advantage of peak demand periods in the expanding crude oil export market, Gulf Canada placed more wells on production and installed additional oil handling facilities. A program to upgrade gas conservation facilities has also added capacity at major installations. While these latter outlays will produce higher gas revenues, the main impact on future earnings will be the ability to produce larger crude oil volumes to meet rising demand. Production of crude oil and natural gas liquids in 1970 averaged 92,200 barrels per day, up 7.3 per cent over last year, with December volumes exceeding 105,000 barrels daily. Earnings from gas operations will benefit from the heavy expenditure program on new plants, particularly at Strachan, Alberta, where the 50 per cent owned and operated plant went on stream in February, 1971. Net natural gas produced and sold in 1970 averaged 394 million cubic feet per day, up eleven per cent.

An intensive exploration program continued on the Company's 1.3 million-acre Reindeer block at the mouth of the Mackenzie River in the Northwest Territories. Two unsuccessful wildcat wells in the southeastern part of the block were drilled before Spring break-up and, since freeze-up, both seismic work and drilling have been underway.

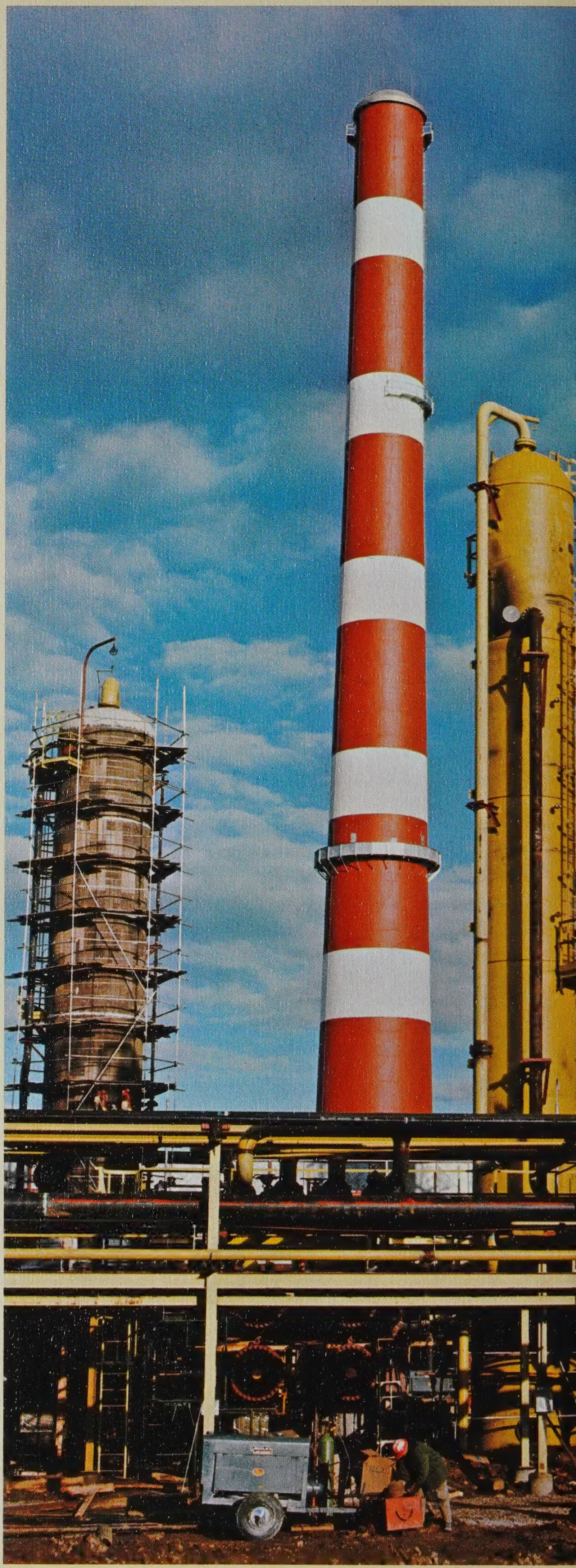
In the Spring of 1970, arrangements were finalized with Mobil Oil Canada under which Gulf Canada will undertake certain work obligations to acquire a 25 per cent interest in eleven million acres of their Grand Banks area permits. Under a similar arrangement, Mobil has undertaken to acquire a 25 per cent interest in 2.6 million acres of Gulf Canada's Arctic permits, including the Reindeer block. A large-scale seismic project is programmed for the Atlantic offshore properties this Summer, and exploratory drilling is expected by late 1972.

WELL COMPLETION DATA

	Exploratory				
Gross wells	1970	1969	1968	1967	1966
Successful – oil	—	—	8	4	3
– gas	2	3	4	4	7
Dry holes	12	17	22	24	43
Total	14	20	34	32	53
Net wells					
Successful – oil	—	—	7	4	2
– gas	1	2	2	4	6
Dry holes	6	9	13	16	32
Total	7	11	22	24	40
	Development				
Gross wells	1970	1969	1968	1967	1966
Successful – oil	10	51	60	26	48
– gas	33	30	39	29	19
Suspended	—	2	—	—	—
Dry holes	3	13	9	7	12
Total	46	96	108	62	79
Net wells					
Successful – oil	3	22	35	16	26
– gas	9	6	5	6	3
Suspended	—	1	—	—	—
Dry holes	1	4	3	5	9
Total	13	33	43	27	38

ESTIMATED NET RECOVERABLE RESERVES

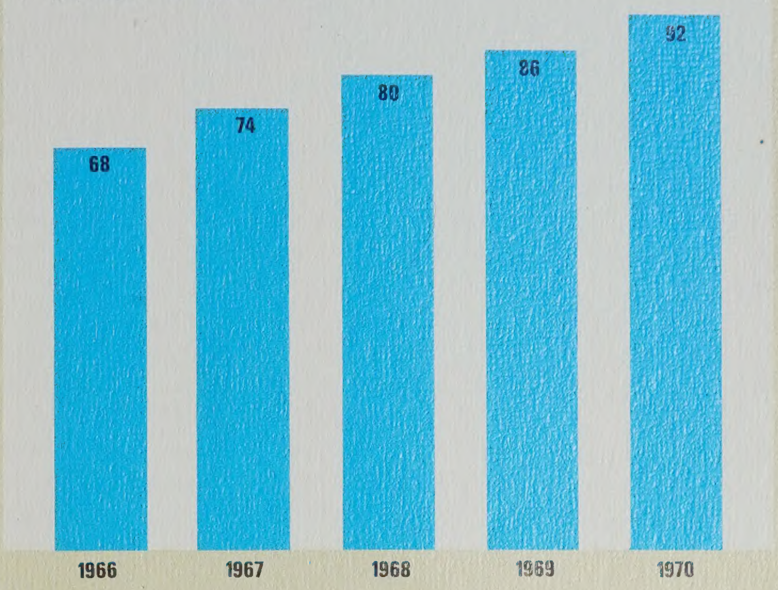
as at December 31, 1970	Before Royalty	After Royalty
Crude oil and natural gas liquids (millions of barrels)	603	520
Marketable natural gas (trillions of cubic feet)	3.5	3.0
Sulphur (millions of long tons)	6.5	5.9



Now in operation, this new plant at Strachan, Alberta, is capable of processing 250 million cubic feet of raw gas daily.

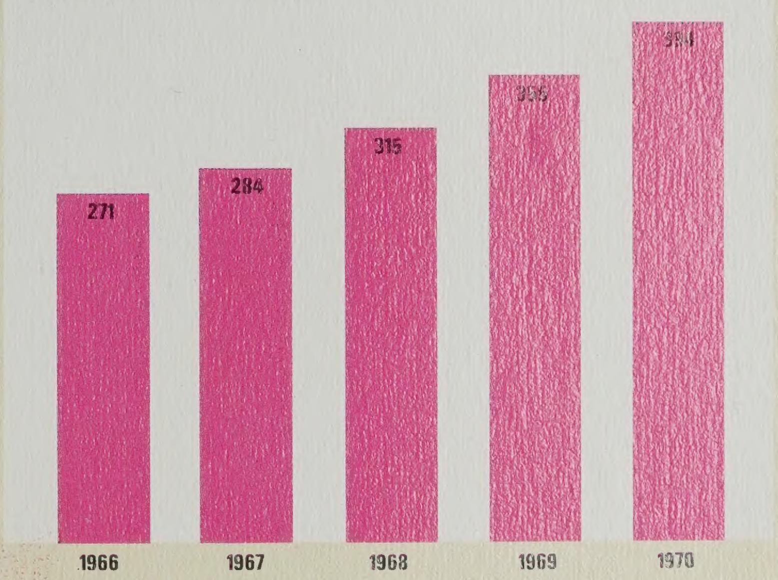
NET CRUDE AND NATURAL GAS LIQUIDS PRODUCED—CANADA

THOUSANDS OF BARRELS PER DAY

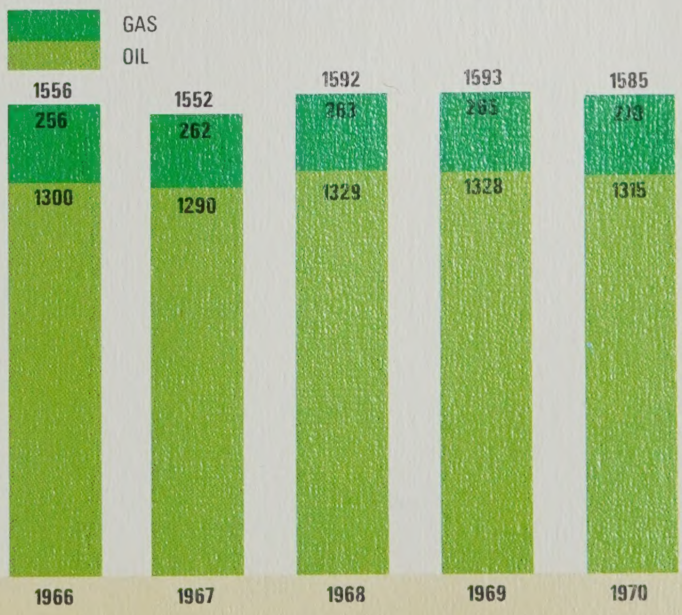


NET NATURAL GAS PRODUCED AND SOLD—CANADA

MILLIONS OF CUBIC FEET PER DAY



NET OIL AND GAS WELLS CAPABLE OF PRODUCING AT YEAR-END—CANADA



SUPPLY AND TRANSPORTATION

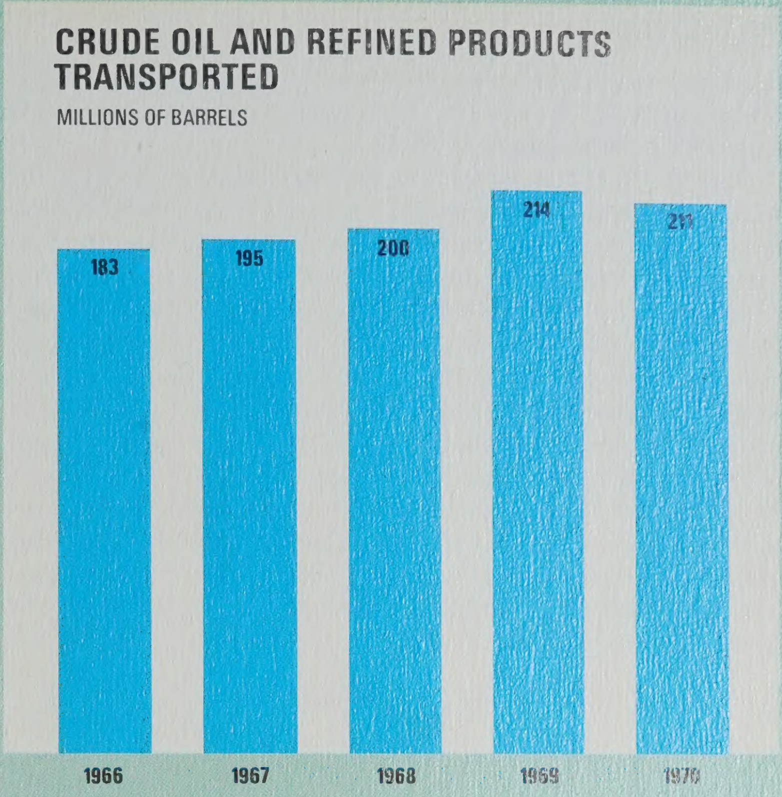
Utilizing the supply flexibility provided by refining and transportation facilities together with the support of Gulf Oil Corporation's world-wide facilities, Gulf Canada met all customer supply demands despite a world-wide scarcity of fuel oil and ocean tankers late in the year. The fuel oil shortage enabled the Company to make special sales which permitted Clarkson refinery to return to full operating capacity by year-end, after an earlier cutback had been made necessary because of the failure to make anticipated sales due to other companies' imports of non-Canadian gasoline into Ontario.

During 1970 rising costs of exploration and production created strong upward pressures on posted prices of crude oil in North America. As a result, there was an increase in the price of U.S. crude in early November, and in December there was a general rise of 25 cents per barrel for most Canadian crudes. There were also higher crude prices posted in most off-shore producing countries during 1970, with more increases during 1971 seeming inevitable. These additional costs will reflect unfavorably in the Company's Quebec and Maritime operations unless they are recovered in higher selling prices.

Work proceeded on schedule toward a major changeover in Gulf Canada's product distribution on the Prairies which will take place in 1971 when the new Edmonton refinery becomes the one source of Gulf Canada's gasolines and distillates in this region.

Construction of the refined products pipe line from Edmonton to Calgary was finished in December, 1970; pumping station and terminal facilities will be completed to coincide with Edmonton refinery start-up. Arrangements progressed with Interprovincial Pipe Line to carry products from Edmonton refinery to Milden and Regina, Saskatchewan; tanks were constructed at Milden, preparatory to the conversion of Gulf Canada's Saskatoon crude oil pipe line to a refined products system in 1971.

A 193-mile pipe line was built in 1970 to carry products from the Company's expanded Edmonton refinery to Calgary.



CRUDE OIL AND REFINED PRODUCTS TRANSPORTED
MILLIONS OF BARRELS
183
195
200
214
211
1966
1967
1968
1969
1970

REFINING

Crude oil and condensate processed at the Company's eight refineries in 1970 totalled 71.1 million barrels, compared with 69.2 million barrels in 1969.

During 1970 the Company was engaged in the largest refinery expansion program in its history. At Port Moody, British Columbia, new facilities were put into operation in April which added 50 per cent to the refinery's capacity. Building of the new 80,000 barrel-per-day Edmonton refinery proceeded smoothly and 75 per cent of the project had been completed by the end of 1970. Progress on the refinery and deep-water marine facility at Point Tupper, Nova Scotia, was seriously delayed by work stoppages and poor labor performance experienced by the contractors, and completion of the construction has now been put forward to the Spring of 1971. Part of enlarged catalytic cracking facilities at Montreal East were put into service in September, with labor difficulties making it necessary to schedule the remaining work for Spring, 1971.

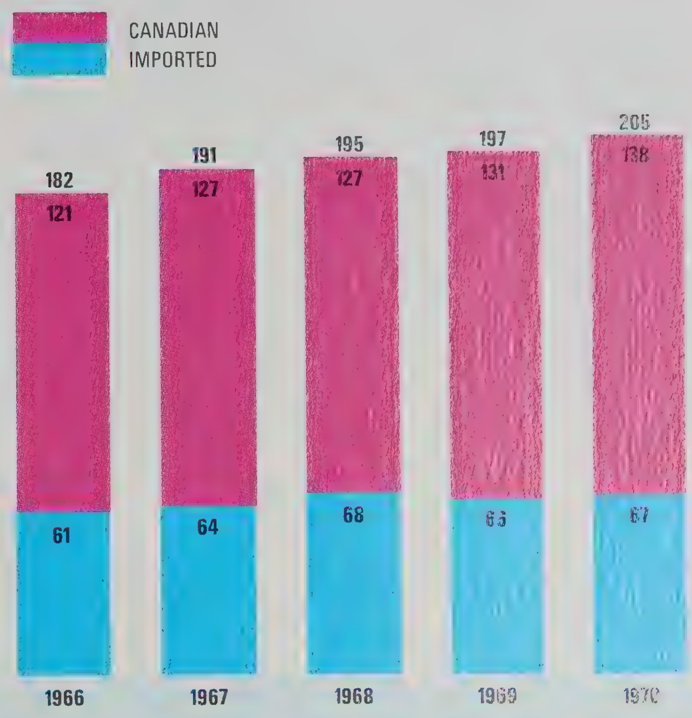
REFINERY CRUDE PROCESSING CAPACITY

	Barrels per stream day
Montreal East, Quebec	75,000
Clarkson, Ontario	61,500
Moose Jaw, Saskatchewan	15,000
Saskatoon, Saskatchewan	8,300
Calgary, Alberta	10,000
Edmonton, Alberta	14,000
Kamloops, British Columbia	6,500
Port Moody, British Columbia	32,000
Total	222,300

The new 60,000 barrel-per-day refinery and deep-sea dock at Point Tupper, Nova Scotia, will be in operation by mid-1971.

CRUDE OIL PROCESSED BY AND FOR THE COMPANY

THOUSANDS OF BARRELS PER DAY



CHEMICALS

Revenue from consolidated net sales of the Chemicals Department and affiliated operations in 1970 was down slightly from 1969. The general level of economic activity, pressure from imports of chemicals into Canada, and the freeing of the Canadian dollar all contributed to the lack of growth in sales revenue.

In plant operations, efforts to improve efficiency and reduce operating and maintenance expenses partially offset the effects of higher raw material costs and wage rates. Except for problems associated with the new ethylene plant at Varennes, Quebec, early in the year, all plants operated continuously although production in several instances was limited by reduced market demands.

Some relief is expected in 1971 from the chronic conditions of overcapacity and low selling prices, which have been prevalent in the world-wide chemical industry. As this occurs, it is anticipated that the normal growth pattern in chemicals will be resumed. Special problems relating to the chemical industry in Canada, however, may reduce its ability to develop at a rate comparable with that in other parts of the world. This subject is under intensive study by joint industry-government groups, and it is hoped that some positive solutions will be forthcoming in the near future.

Gulf Canada's petrochemical complex at Varennes, Quebec, is a large producer of ethylene, vinyl chloride and acetaldehyde.


PETROCHEMICAL SALES
(excluding sulphur)
MILLIONS OF POUNDS
ETHYLENE
OTHER
482
105
377
1966
472
111
361
1967
455
98
357
1968
485
133
352
1969
570
227
343
1970

MARKETING

The volume of refined products sold was up 2.4 per cent over 1969. Total volumes were affected by continuation of a policy to forego long-discount business which makes no material contribution to profits. Sales of gasoline through service stations were particularly encouraging despite a highly competitive market and a general slowdown in the economy.

Earnings from marketing operations improved as a result of sales gains on higher profit products and some increases in product prices. However, these earnings still do not provide an adequate return on the Company's investment in refining and marketing facilities.

Gulf Canada's service station development program in 1970 was directed in particular to outlets which could provide a broader range of services to the motoring public, including attractive restaurant facilities on main tourist routes.

Steps were taken to improve warehousing and distribution efficiency during the year. Cost reductions were also achieved through consolidation of a number of smaller wholesale and retail sales outlets, and by a determined effort to upgrade the productivity of the department's manpower.

A study relating to the marketing of tires, batteries and automotive repair parts and accessories resulted in significant changes being made to strengthen Gulf Canada's position in this profitable area.

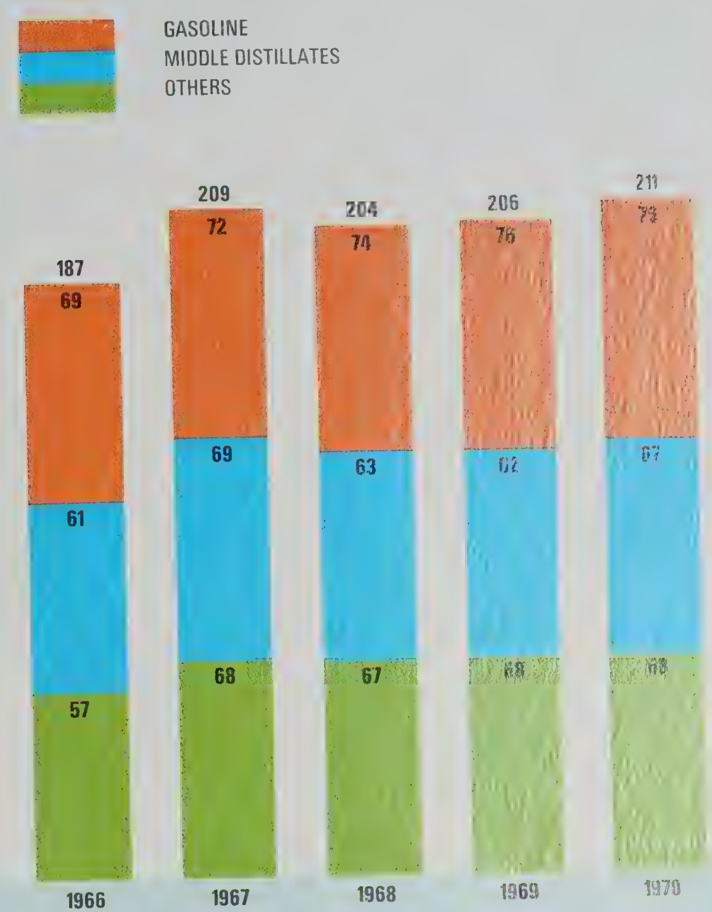
To better serve the agricultural market in Western Canada, five new Servico Farm Centres were opened in 1970, and propane facilities installed at a number of existing centres. Four new Home Comfort Centres — at St. John's, Newfoundland; Halifax, Nova Scotia; Moncton, New Brunswick; and Oshawa, Ontario — were added as part of a continuing effort to gain a larger share of the home heat market.

Superior Propane's record sales levels in 1970 resulted in an eight per cent gain in revenue over the previous year. In addition to normally-established markets for propane as an energy fuel, interesting new uses developed during 1970 included the drying of flowers for decorative purposes and the preservation of potatoes between the harvesting and marketing period.

One of a number of similar retail outlets opened during the year, this service centre in suburban Toronto offers complete car care and a central gasoline sales area to facilitate fast service.

REFINED PRODUCTS SOLD

THOUSANDS OF BARRELS PER DAY



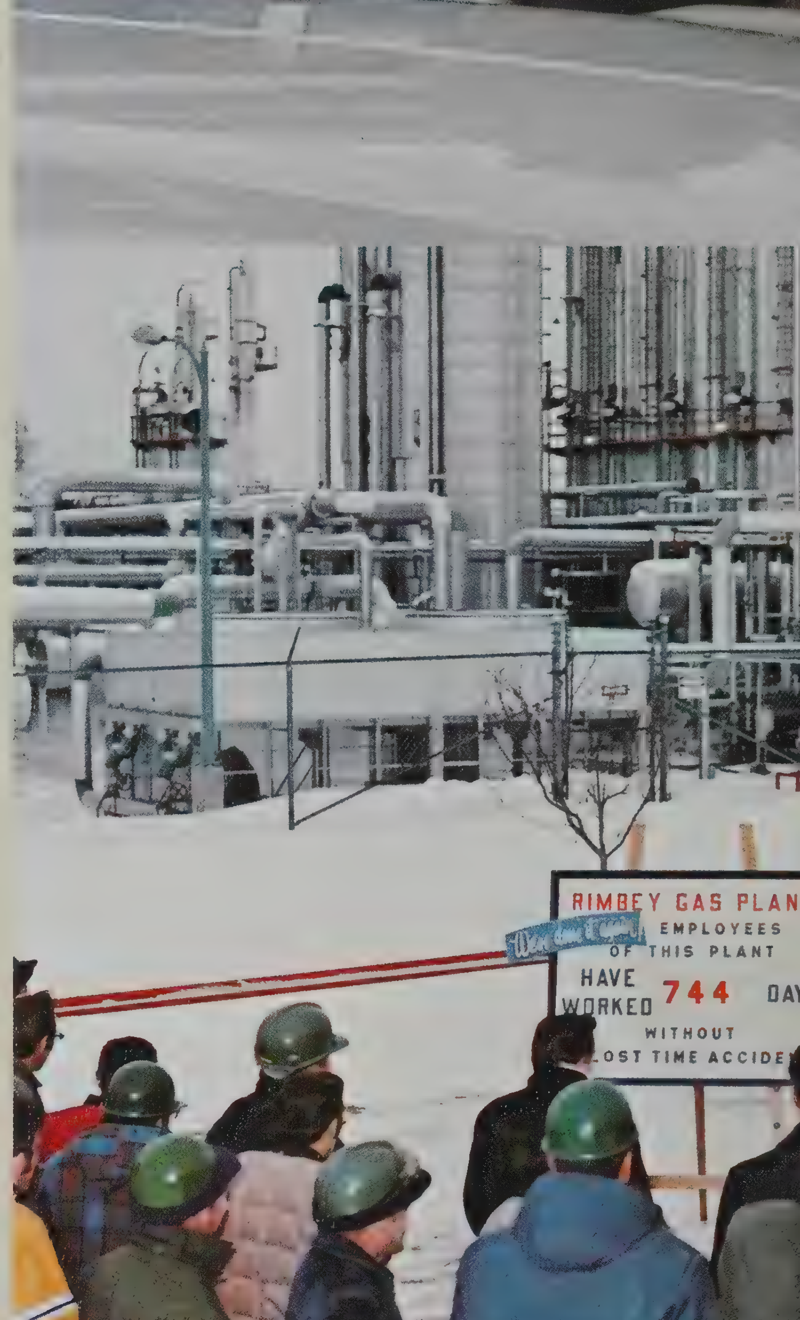
RESEARCH AND DEVELOPMENT

Research and Development continued to assist in selecting and testing analytical and control equipment for Gulf Canada's new refineries and gas plants; training programs were conducted to acquaint personnel with the operation and maintenance of these instruments.

Several new products were developed to meet the needs of the market and product reformulations were carried out to improve product quality and/or reduce costs.

Recent and anticipated developments in automotive engine designs will undoubtedly require changes in the fuels and lubricants used in the new engines. The impact of these developments on the petroleum industry is being closely followed to assist Gulf Canada in formulating plans to meet the new requirements.

Development work was essentially completed on the Gulf Canada Vortometric Burner. This burner offers improved flexibility of operations, lower fuel consumption, and decreased atmospheric pollution. Promotion of the burner was initiated in negotiations with manufacturers of burner equipment.



Top: Wayne and Shuster check with their neighborhood dealer for customer reaction to the popular "We Hurry" radio and television commercials.

EMPLOYEE AND PUBLIC RELATIONS

Collective bargaining agreements were signed with 28 groups during 1970 without any work stoppages.

In the field of accident prevention, the 1970 program resulted in an encouraging reduction in lost-time injuries from the previous year. The President's Safety Incentive Award, symbolic of 365 days or one million man-hours free from lost-time injury, was awarded to 19 units during the year — a new record.

Marking the third year of a formal Manpower Development program, Gulf Canada again conducted courses for its managers and supervisors. In addition, several hundred employees engaged in self-improvement training or were involved in attending institutional courses outside the Company.

Gulf Canada's public relations program continued to help give the Company an effective corporate identity through internal and external communications and corporate donations. In addition to supplying pertinent Company information to its employees, dealers and shareholders, the Company took advantage of opportunities to express opinions on important industry and business issues. Every effort is being made to inform the public of Gulf Canada's concern on environmental matters, particularly as they apply to its refineries and plants. During the 1970 semester, a total of 37 young people were benefiting from Gulf Canada's scholarship and fellowship programs for deserving students, as well as over 70 from other bursary and educational award schedules.

Bottom: Board Chairman C. D. Shepard visited the Rimbey, Alberta, gas plant in December to present employees with their ninth President's Incentive Safety Award.

FINANCIAL REVIEW

Consolidated earnings for the year 1970 amounted to $40.4 million, including an extraordinary gain of $1.2 million resulting from the freeing of the Canadian dollar on May 31. Excluding the extraordinary gain, earnings were $39.2 million, equivalent to 86 cents per share, compared with $45.5 million or $1.00 per share for the year 1969.

The Statements of Consolidated Earnings on page 20 provide details of revenues and expenses. Net sales and operating revenues amounted to $675.6 million, an increase of $20.3 million over 1969. Interest charges totalled $15.5 million, a rise of $7.7 million over the previous year, and were a major factor contributing to the decline in 1970 earnings. These substantially higher interest costs were directly related to the heavy capital investment in the refineries at Point Tupper, Nova Scotia, and Edmonton, Alberta, which were still under construction at the year-end. The 1970 results were also adversely affected by depressed conditions in the chemical industry and operating problems associated with the new ethylene plant at Varennes, Quebec, in the early months of the year. Despite the reduction in before-tax earnings of $3.9 million, the 1970 provision for income taxes was $2.4 million higher than 1969, due mainly to the effect of lower expenditures in 1970 for oil and gas properties and development drilling which, as explained in Note 8 (a) to the financial statements, are capitalized in the accounts but are deductible as incurred for the purpose of computing the income tax provision.

The gain on disposal of the Company's interest in a pipe line, shown in the revenue section of the earnings statement, is more than offset by a special provision for amortization of shut-in wells. Details of these special items are provided in Note 2 to the financial statements.

The Statement of Source and Use of Funds on page 21 and the graph included with this review reflect receipt of the proceeds from the sale of $50 million 8⅝ per cent—8½ per cent debentures issued September 15, 1970. The decrease of $47.5 million in working capital was due to the heavy capital expenditures during the year. Table I shows an analysis of the working capital change.

Table II provides a comparative analysis of capital expenditures by operating departments. Expenditures of $178.4 million in 1970 were by far the highest in the Company's history. Approximately 65 per cent of the total, or $115.6 million, was expended on refining facilities, almost all of which related to the construction of the new refineries at Point Tupper and Edmonton. Both of these refineries will be completed in mid-1971. It is anticipated that funds available at December 31, 1970, together with those generated from 1971 operations, will be sufficient to cover cash requirements in 1971.

At December 31, 1970, the total assets of the Company exceeded $1.1 billion. The shareholders' equity in the net assets amounted to $674.4 million, or $14.86 per share.

A statement of operating statistics and financial summary for the past five years are shown on pages 27 and 28.

SUMMARY OF EARNINGS (including extraordinary item)

MILLIONS OF DOLLARS

SOURCE AND USE OF FUNDS

MILLIONS OF DOLLARS

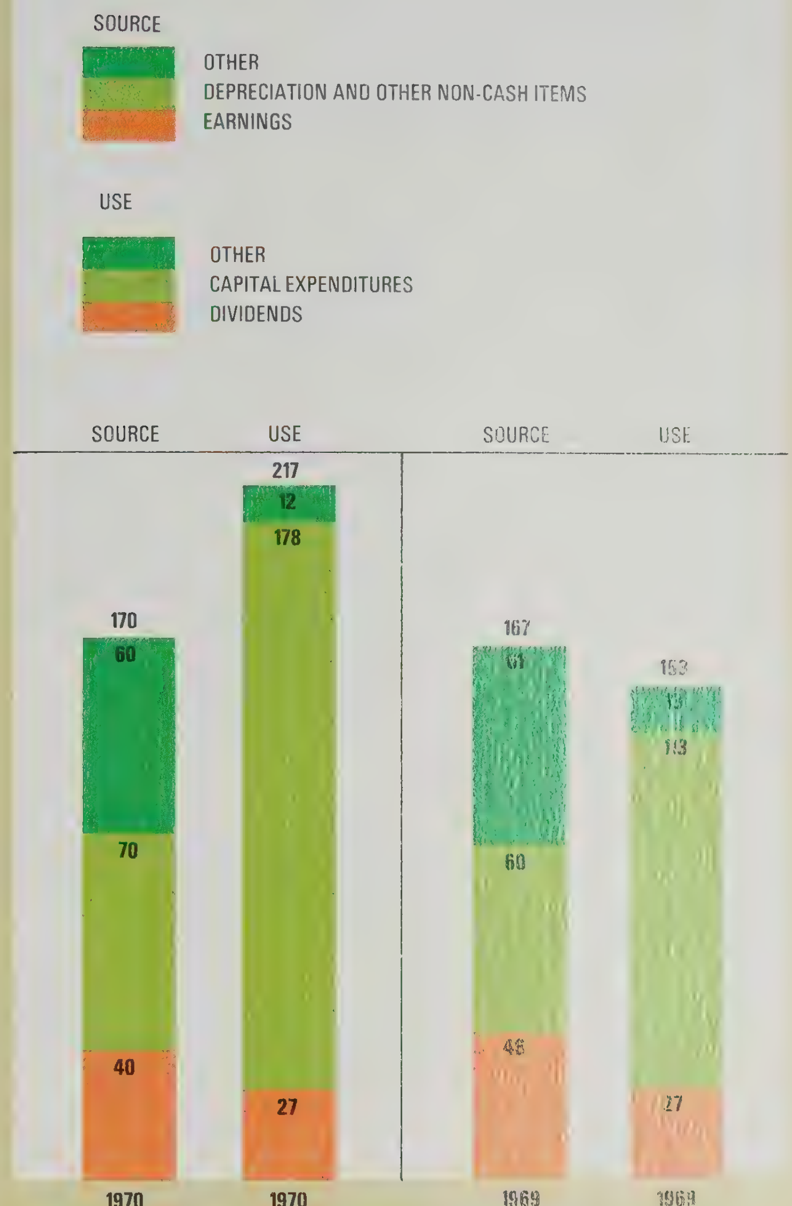


TABLE I WORKING CAPITAL

Millions	December 31 1970	1969	Change
Cash and marketable securities	$ 54.9	$ 71.1	$(16.2)
Accounts receivable	167.1	151.7	15.4
Inventories	127.0	123.6	3.4
Prepaid expenses	5.1	6.1	(1.0)
Total current assets	354.1	352.5	1.6
Less current liabilities	176.9	127.8	49.1
Working capital	$177.2	$224.7	$(47.5)

TABLE II EXPENDITURES ON PROPERTIES, PLANTS AND EQUIPMENT

	1970 Millions	1970 Per Cent	1969 Millions	1969 Per Cent
Production	$ 24.2	13.6	$ 32.8	29.1
Transportation	1.5	.8	1.1	1.0
Refining	115.6	64.8	46.4	41.1
Petrochemicals	8.9	5.0	10.3	9.1
Marketing	26.2	14.7	19.7	17.5
Other	2.0	1.1	2.5	2.2
Total	$178.4	100.0	$112.8	100.0

CONSOLIDATED

December 31, 1970 (with

ASSETS	1970	1969
CURRENT:		
Cash	$ 19,953,000	$ 16,296,000
Short term investments, at cost (approximates market value)	34,980,000	54,773,000
Accounts receivable	167,039,000	151,697,000
Inventories (note 4) —		
Crude oil, products and merchandise	117,864,000	115,676,000
Materials and supplies	9,125,000	7,965,000
Prepaid expenses	5,123,000	6,058,000
Total current assets	354,084,000	352,465,000
INVESTMENTS, LONG TERM RECEIVABLES AND OTHER ASSETS:		
Investments in associated and other companies at cost (note 5)	10,879,000	11,490,000
Deposits, long term receivables and other assets	32,198,000	29,212,000
Deferred charges at cost less amortization	7,887,000	9,118,000
	50,964,000	49,820,000
PROPERTIES, PLANTS AND EQUIPMENT AT COST less accumulated depreciation, depletion and amortization (note 6)	706,783,000	585,392,000
EXCESS OF COST OF INVESTMENTS IN SUBSIDIARY COMPANIES over values assigned to their tangible assets, less amortization	16,269,000	17,049,000
	$1,128,100,000	$1,004,726,000

See accompanying notes to financial statements.

nd subsidiary companies)

BALANCE SHEET

mparative figures for 1969)

LIABILITIES	1970	1969
CURRENT:		
Amounts payable to affiliated companies for crude oil and other purchases (note 3)	$ 55,514,000	$ 19,627,000
Other accounts payable and accrued charges	83,896,000	73,074,000
Income and other taxes payable (note 8(a))	26,737,000	24,999,000
Current portion of long term debt	3,942,000	3,306,000
Dividends payable	6,806,000	6,804,000
Total current liabilities	176,895,000	127,810,000
LONG TERM DEBT (note 9)	205,087,000	157,624,000
DEFERRED INCOME TAXES (note 8(a))	71,727,000	58,610,000
SHAREHOLDERS' EQUITY		
Capital stock (note 10)	279,225,000	278,658,000
Retained earnings	395,166,000	382,024,000
Total shareholders' equity	674,391,000	660,682,000
	$1,128,100,000	$1,004,726,000

On behalf of the Board:

Jerry McAfee, Director.

Beverley Matthews, Director.

STATEMENTS OF CONSOLIDATED EARNINGS

Year ended December 31, 1970 (with comparative figures for 1969)

EARNINGS	1970	1969
REVENUE:		
Gross sales and other operating revenues	$823,487,000	$801,695,000
Less gasoline and fuel taxes	147,859,000	146,416,000
Net sales and other operating revenues	675,628,000	655,279,000
Investment and sundry income	16,979,000	14,528,000
Gain on disposal of interest in a pipeline (note 2(a))	3,333,000	
	695,940,000	669,807,000
DEDUCTIONS:		
Purchased crude oil, products and merchandise	280,936,000	278,031,000
Operating, selling and administrative expenses	242,418,000	229,932,000
Taxes other than taxes on income	39,226,000	38,963,000
Depreciation, depletion and amortization (note 7)	50,803,000	47,863,000
Special provision for amortization of shut-in wells (note 2(b))	3,731,000	
Interest and amortization of discount and redemption premium on long term debt	12,291,000	7,329,000
Other interest expense	3,211,000	447,000
	632,616,000	602,565,000
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	63,324,000	67,242,000
TAXES ON INCOME (note 8(a))	24,123,000	21,724,000
EARNINGS BEFORE EXTRAORDINARY ITEM	39,201,000	45,518,000
Extraordinary gain on freeing of the Canadian dollar (note 3)	1,163,000	
EARNINGS FOR THE YEAR	$ 40,364,000	$ 45,518,000
Per share of common stock outstanding during each year		
Before extraordinary item	$ .86	$1.00
After extraordinary item	$ .89	$1.00

RETAINED EARNINGS		
Balance, beginning of the year	$382,024,000	$363,142,000
Add earnings for the year	40,364,000	45,518,000
	422,388,000	408,660,000
Deduct dividends on common shares	27,222,000	26,636,000
Balance, end of the year	$395,166,000	$382,024,000

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS

Year ended December 31, 1970 (with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS:		
Earnings for the year	$ 40,364,000	$ 45,518,000
Add back —		
Depreciation, depletion and amortization	54,534,000	47,863,000
Deferred income taxes	13,117,000	9,813,000
Other	1,996,000	1,924,000
Funds from operations	110,011,000	105,118,000
Net book value of fixed asset disposals	3,759,000	9,280,000
Proceeds from debenture issue	49,300,000	49,175,000
Proceeds from other long term obligations	6,252,000	
Refund of U.S. taxes (note 8(b))		2,247,000
Proceeds from issue of shares for cash	567,000	1,415,000
Total	169,889,000	167,235,000
USE OF FUNDS:		
Additions to properties, plants and equipment	178,394,000	112,768,000
Increase in investments and long term receivables	2,950,000	6,995,000
Reduction in long term debt	8,789,000	7,061,000
Dividends on common shares	27,222,000	26,636,000
Total	217,355,000	153,460,000
Increase (decrease) in working capital	(47,466,000)	13,775,000
Working capital, beginning of the year	224,655,000	210,880,000
Working capital, end of the year	$177,189,000	$224,655,000

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

1. SUBSIDIARY COMPANIES

The accounts of all subsidiary companies have been included in the consolidation. Minority interests in subsidiary companies at December 31, 1970 ($254,000) have been included in other accounts payable and the amount of the year's income applicable thereto ($34,000) in operating costs.

2. SPECIAL REVENUE AND EXPENSE ITEMS

(a) Gain on disposal of interest in a pipeline—

In December, 1970, Producers Pipelines Ltd., in which the Company held a 20.5% interest, sold all its assets and undertakings to a third party. On distribution of the proceeds to the shareholders by way of dividends and redemption of preferred shares and the subsequent sale of the common shares of Producers Pipelines Ltd. to a third party, the Company realized a net gain of $3,333,000.

(b) Special provision for amortization of shut-in wells—

Following a review of all shut-in gas wells and related properties carried out in light of developments since the wells were drilled, the Company decided at the year end to make a special provision of $3,731,000 for amortization of shut-in wells to cover possible future abandonments.

3. U.S. DOLLAR LIABILITIES

Prior to the freeing of the official Canadian dollar exchange rate on May 31, 1970, it had been the Company's practice to value U.S. dollar balances at the pegged rate of $1.00 Canadian equals $.925 U.S. With respect to the unpegging of the Canadian dollar on May 31, 1970, the Company has recorded an extraordinary gain of $1,820,000 ($1,163,000 after income taxes) on the revaluation of the U.S. dollar liabilities to affiliated companies and the U.S. dollar long term debt outstanding at that date.

At December 31, 1970, the Company has valued U.S. dollar liabilities at the rate current at that date ($1.00 Canadian equals $ .989 U.S.) but has deferred the further credit resulting from the use of the year-end rate.

4. INVENTORIES

Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis and market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

5. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES

	Cost	
	1970	1969
With quoted market value 1970 — $73,407,000; 1969 — $62,745,000	$ 6,406,000	$ 6,459,000
Without quoted market value	4,473,000	5,031,000
	$10,879,000	$11,490,000

The market values shown are based on closing market prices at the end of each year. Because of the number of shares involved, the market values do not necessarily reflect the amounts that might be realized if certain of the securities were to be sold.

6. PROPERTIES, PLANTS AND EQUIPMENT

	Gross investment at cost	Accumulated depreciation, depletion and amortization	Net investment 1970	Net investment 1969
Production	$ 427,763,000	*$197,449,000	$230,314,000	$227,952,000
Transportation	28,238,000	16,364,000	11,874,000	11,228,000
Refining and petrochemicals	513,091,000	218,558,000	294,533,000	187,691,000
Marketing	265,235,000	107,082,000	158,153,000	146,063,000
Other	19,323,000	7,414,000	11,909,000	12,458,000
	$1,253,650,000	$546,867,000	$706,783,000	$585,392,000

Includes accumulated depletion of $33,028,000 with respect to the acquisition costs of productive properties.

7. DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization in the statement of consolidated earnings consist of:

	1970	1969
Depreciation of plants and equipment	$39,645,000	$35,563,000
Depletion of acquisition costs of productive properties	2,468,000	2,156,000
Amortization of non-producing properties, drilling costs and other intangible assets	8,690,000	10,144,000
	$50,803,000	$47,863,000

Policies governing depreciation, depletion and amortization are as follows:

(i) Exploration and development costs—

The companies follow the practice of charging to expense, as incurred, the cost of all dry holes and all exploration expenditures except the initial acquisition cost of oil and gas properties. These latter costs together with the costs of successful wells are capitalized and charged against earnings on a unit-of-production or other amortization basis.

(ii) Investment in plants and equipment—

Charges are made against earnings for depreciation of investment in plants and equipment based on engineering reviews of the remaining service lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

8. INCOME TAXES

(a) In arriving at reported earnings, income taxes have been computed on the basis of:

(i) claiming exploration and development expenditures to the extent that they were allowable deductions for tax purposes in the year in which they were incurred, regardless of the treatment followed in the accounts;

(ii) providing for other items under the tax allocation method of accounting for income taxes, whereby the provision for income taxes each year is computed on the basis of the depreciation and certain other charges recorded in the accounts rather than the related amounts claimed as deductions in the companies' tax returns.

The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originated in financial years commencing on or after January 1, 1968. However, Opinion II of The Accounting Principles Board of the American Institute of Certified Public Accountants does not require tax allocation procedures at this time with respect to intangible development costs in the oil and gas industry. As is the case with many other companies in the industry in Canada, the Company does not believe that tax allocation in respect of exploration and development costs is appropriate at this time. Accordingly, no provision has been made for deferred income taxes for timing differences involving such costs If the tax allocation basis had been followed with respect to such costs in current and prior years, net income for the year would have been increased by $2,451,000 or $.05 per share (reduced by $3,485,000 or $.08 per share in 1969) and the cumulative amount of deferred income taxes to December 31, 1970 related to such costs would have been $38,797,000.

(b) In 1969 the Company received a refund of $2,247,000 of a total of $13,128,000 of U.S. taxes paid in 1967. The amount of the claim disallowed, $10,881,000, was charged to retained earnings as a prior period adjustment. The judgement has been appealed and a decision of the appeal court is pending.

9. LONG TERM DEBT

SINKING FUND DEBENTURES:

Gulf Oil Canada Limited	Maturity	Amount
4¾%	1971	$ 1,900,000
4¾% and 5%	1972-1975	10,000,000
3½%, 1954 issue	1974	6,701,000
5⅛%, Series A	1977	10,929,000
5¾%, Series B	1982	6,734,000
5¼%, Series C (U.S. $14,734,000) (note 3)	1982	14,886,000
7⅜%, Series D (no sinking fund)	1978	10,000,000
7⅜%, Series E	1988	40,000,000
8½% *	1989	50,000,000
8⅝ — 8½% **	1990	50,000,000
Superior Propane Limited		
4% to 6¾%	1975-1980	1,339,000
Other long term obligations	varying dates	6,540,000
		209,029,000
Less instalments due within one year included in current liabilities		3,942,000
		$205,087,000

Approximate instalments of long term debt due in each of the five years subsequent to December 31, 1970, are as follows:

1971 — $3,942,000; 1972 — $5,527,000; 1973 — $5,594,000; 1974 — $8,469,000; 1975 — $10,746,000

*After June 1, 1973 and prior to June 1, 1974, the holders may elect that Gulf Oil Canada Limited prepay the principal amount of such debentures on December 1, 1974.

**After March 15, 1974 and prior to March 15, 1975, the holders may elect that Gulf Oil Canada Limited prepay the principal amount of such debentures on September 15, 1975

10. CAPITAL STOCK

Shares without nominal or par value:

Authorized — 68,000,000

Issued — 45,392,506

The Company's incentive stock option plan provides for the granting of options to full-time officers and other employees to purchase common shares of the Company at the market price on the day on which the options are granted. Under the plan, options become exercisable after one year's continuous employment immediately following the date the options are granted and are for a period of ten years. During 1970, options on 33,800 shares were exercised for an aggregate cash consideration of $567,000, options on 51,800 shares expired and no options were granted. Details of common shares under option at December 31, 1970, were as follows:

Year Option Granted	Normal expiry date	Option price per share	Number of shares
1961	February 22, 1971	$16 31/32	31,600
1962	September 20, 1972	14 29/32	7,700
1965	April 22, 1975	17 5/16	20,000
1966	February 2, 1976	15 1/32	12,600
1967	October 4, 1977	18 11/16	33,000
			104,900

Shares under option at December 31, 1970, included 35,000 shares under option to officers of the Company.

11. PENSION PLANS

The companies have funded pension plans covering substantially all their employees. The contributions by employees, together with those made by the companies, are deposited with insurance companies and/or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans) were $5,076,000 in 1970 and $4,417,000 in 1969, which amounts included amortization of prior service costs. The unfunded prior service pension costs were approximately $6,531,000 at December 31, 1970 (of which approximately $3,294,000 represents the actuarially computed value of vested benefits) and these will be funded in varying amounts over the next eight years.

12. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1970, construction of a 60,000 barrel-per-day refinery and deep water marine

facility at Point Tupper, Nova Scotia, was well advanced with completion scheduled for mid-1971. The total cost of this new refinery and marine complex is estimated at $90,000,000, of which approximately $76,200,000 had been spent to December 31, 1970. The Company is also engaged in the construction of a new 80,000 barrel-per-day refinery at Edmonton, Alberta, scheduled for completion in mid-1971 at an estimated cost of $87,000,000, of which approximately $68,400,000 had been spent to the end of 1970.

The companies have other commitments in the ordinary course of business for the acquisition or construction of fixed assets and for the purchase of materials, supplies, investments and services which are not significant in relation to their net assets.

The companies in the normal course of business have entered into lease, charter hire, throughput agreements and other similar commitments. Long term leases for real property and tank car rentals have approximate rentals payable in 1971 of $12,725,000 (inclusive of property taxes). Rental income from properties sub-leased to others is estimated at $4,961,000 for 1971. Under certain of these long term leases, the Company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately $21,000,000 over the terms of the lease agreements (which expire in 1982). Advances to December 31, 1970 have amounted to $4,673,000 and during the next five years will aggregate approximately $4,843,000 of which $803,000 will be payable in 1971.

The companies are contingently liable for guarantees of obligations of pipe line companies and of mortgages payable by owners of service stations and others, aggregating $13,168,000 at December 31, 1970. Also under long term agreements with certain other pipe line companies, the Company has agreed in conjunction with other users to ship sufficient crude oil to generate the revenue required to meet the obligations of these companies and in the event there is any deficiency the Company may be required to purchase subordinated securities in an amount sufficient to make up its share of the deficiency. The management of the Company is of the opinion no losses of any consequence will arise from these guarantees and long term agreements.

In January, 1970, the Company received preliminary notice ("30-day letters") that the U.S. Internal Revenue Service is proposing adjustments which could result in deficiencies in respect of U.S. income tax relating to certain transactions which took place in the United States immediately following the sale in July, 1966 by the Company of all of the shares of its then wholly-owned U.S. subsidiary, The British-American Oil Producing Company (BAOP). The proposed adjustments relate to the U.S. income tax returns filed by BAOP for the taxation year January 1, 1966 to July 28, 1966. The proposed adjustments could result in a claim for deficiency of $25.4 million (U.S.) against BAOP and Gulf Oil Corporation (parties to the transactions above mentioned) and against the Company as alleged transferee of the assets of BAOP. As an alternative to its primary position in respect of a possible deficiency of $25.4 million (U.S.), the Internal Revenue Service is proposing adjustments which could result in claims for deficiencies against the Company of $45.4 million (U.S.) and $2 million (U.S.) arising out of the same transactions.

It is the opinion of U.S. tax counsel that any liability arising out of the possible deficiencies of $25.4 million and $2 million would not be a liability of the Company and that the Company has a good defence against the possible deficiency of $45.4 million.

13. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration in 1970 of the Company's 12 directors as directors was $54,000. Two directors were also officers of the Company during 1970 and one director was a past officer. The aggregate remuneration in 1970 of the Company's 27 officers (which includes 11 past officers) as officers was $1,181,000. No director or officer of the Company received any remuneration from a subsidiary of the Company.

The directors of the Company's subsidiary companies received no remuneration as directors. During 1970 the aggregate remuneration of the three officers of Superior Propane Limited as officers was $100,000. The remuneration of the officers of the Company's remaining subsidiaries as officers was not significant.

Clarkson, Gordon & Co.
Chartered Accountants

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Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
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AUDITORS' REPORT

To the Shareholders of Gulf Oil Canada Limited:

We have examined the consolidated balance sheet of Gulf Oil Canada Limited and subsidiary companies as at December 31, 1970 and the statements of consolidated earnings and consolidated source and use of funds for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Gulf Oil Canada Limited and subsidiary companies as at December 31, 1970 and the results of their operations and source and use of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada, February 5, 1971.

FIVE YEAR SUMMARY OF OPERATIONS

	1970	1969	1968	1967	1966
NET NATURAL GAS PRODUCED AND SOLD					
(millions of cubic feet)					
Canada	143,862	129,572	115,296	103,669	98,822
Per day	394	355	315	284	271
U.S.—to July 27, 1966	—	—	—	—	22,509
Per day	—	—	—	—	94
NET CRUDE AND NATURAL GAS LIQUIDS PRODUCED					
(thousands of barrels)					
Canada	33,643	31,352	29,308	27,101	24,703
Per day	92	86	80	74	68
U.S.—to July 27, 1966	—	—	—	—	4,546
Per day	—	—	—	—	22
CRUDE OIL PROCESSED BY AND FOR THE COMPANY					
(thousands of barrels)					
Total	74,744	72,012	71,336	69,850	66,530
Per day	205	197	195	191	182
REFINED PRODUCTS SOLD					
(thousands of barrels)					
Total	77,111	75,318	74,655	76,353	68,351
Per day	211	206	204	209	187
PETROCHEMICAL SALES					
(thousands of pounds)					
Total	570,050	484,511	454,645	471,933	482,226
Per day	1,562	1,327	1,242	1,293	1,321
SULPHUR SALES					
(long tons)					
Total	152,236	134,271	143,067	173,796	221,421
Per day	417	368	391	476	607
NET WELLS CAPABLE OF PRODUCING AT YEAR-END					
Canada	1,585	1,593	1,592	1,552	1,556
NET WELLS DRILLED					
Canada	20	44	65	51	78
U.S.	—	—	—	—	11
Total	20	44	65	51	89
NET ACREAGE UNDER LEASE, RESERVATION AND OPTION					
(thousands of acres)					
Canada	27,140	27,237	29,413	23,803	18,761

FIVE YEAR FINANCIAL SUMMARY

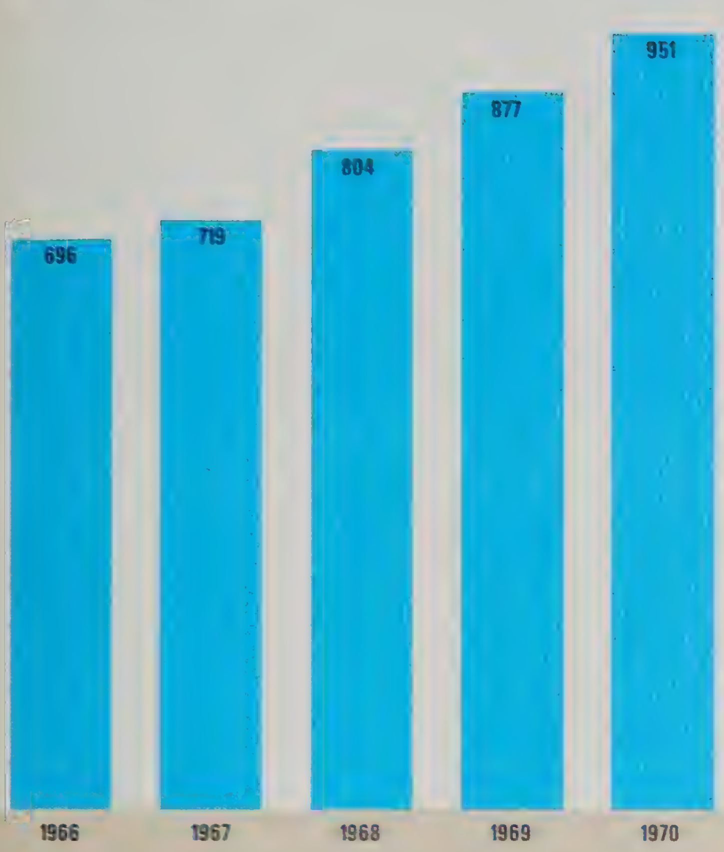
Amounts, except for unit statistics, expressed in millions of dollars

	1970	1969	1968	1967	1966
BALANCE SHEET					
Current assets	$354.1	$ 352.5	$ 318.1	$ 298.8	$ 305.4
Deduct: Current liabilities	176.9	127.8	107.2	113.9	96.3
Working capital	177.2	224.7	210.9	184.9	209.1
Properties, plants and equipment — net	706.8	585.4	528.6	496.7	469.6
Investments, long term receivables and other assets	67.2	66.8	64.4	59.0	39.7
	951.2	876.9	803.9	740.6	718.4
Deduct: Minority interest in subsidiaries	—	—	—	21.4	22.4
Capital employed	951.2	876.9	803.9	719.2	696.0
Deduct: Long term debt	205.1	157.6	114.7	69.2	70.9
Deferred income taxes	71.7	58.6	48.8	54.0	52.2
Shareholders' equity	$674.4	$ 660.7	$ 640.4	$ 596.0	$ 572.9
Per common share	$ 14.86	$ 14.57	$ 14.14	$ 13.57	$ 13.09
CAPITAL EXPENDITURES					
New properties, plants and equipment	$178.3	$ 112.4	$ 86.9	$ 70.8	$ 66.2
Fixed assets of acquired subsidiaries	.1	.4	.9	1.6	1.9
	$178.4	$ 112.8	$ 87.8	$ 72.4	$ 68.1
EARNINGS					
Gross sales and other operating revenues	$823.5	$ 801.7	$ 759.5	$ 724.9	$ 685.3
Less gasoline and fuel taxes	147.9	146.4	135.9	121.9	115.9
Net sales and other operating revenues	675.6	655.3	623.6	603.0	569.4
Investment and sundry income	20.3	14.5	13.1	12.3	10.8
	695.9	669.8	636.7	615.3	580.2
Deduct:					
Exploration and dry hole costs	13.7	15.3	14.0	12.3	17.1
Depreciation, depletion and amortization	54.5	47.9	45.5	41.0	44.5
Purchases and other expenses	525.2	500.4	468.5	456.1	422.7
Taxes, other than income	39.2	39.0	37.3	36.0	33.2
Minority share of earnings	—	—	—	(.2)	1.2
	632.6	602.6	565.3	545.2	518.7
Earnings before income taxes and extraordinary item	63.3	67.2	71.4	70.1	61.5
Taxes on income —	24.1	21.7	23.2	25.3	19.3
Earnings before extraordinary item	39.2	45.5	48.2	44.8	42.2
Extraordinary item	1.2	—	—	—	—
Earnings for the year	$ 40.4	$ 45.5	$ 48.2	$ 44.8	$ 42.2
FUNDS FROM OPERATIONS	$110.0	$ 105.1	$ 93.5	$ 88.1	$ 90.9
DIVIDENDS PAID	$ 27.2	$ 26.6	$ 24.7	$ 24.1	$ 23.5
PER COMMON SHARE					
Earnings before extraordinary item	$ .86	$ 1.00	$ 1.06	$ 1.02	$ .97
Earnings for the year	$ .89	$ 1.00	$ 1.06	$ 1.02	$ .97
Dividend rate at year-end	$ .60	$ .60	$ .55	$ .55	$ .55

Note: *Amounts shown have been restated, where necessary, to be comparable with 1970, except for extraordinary items included in retained earnings in prior years. Minority interests for the years 1968, 1969 and 1970 were not material and have been included in current liabilities and the amount of the year's income applicable thereto in purchases and other expenses.*

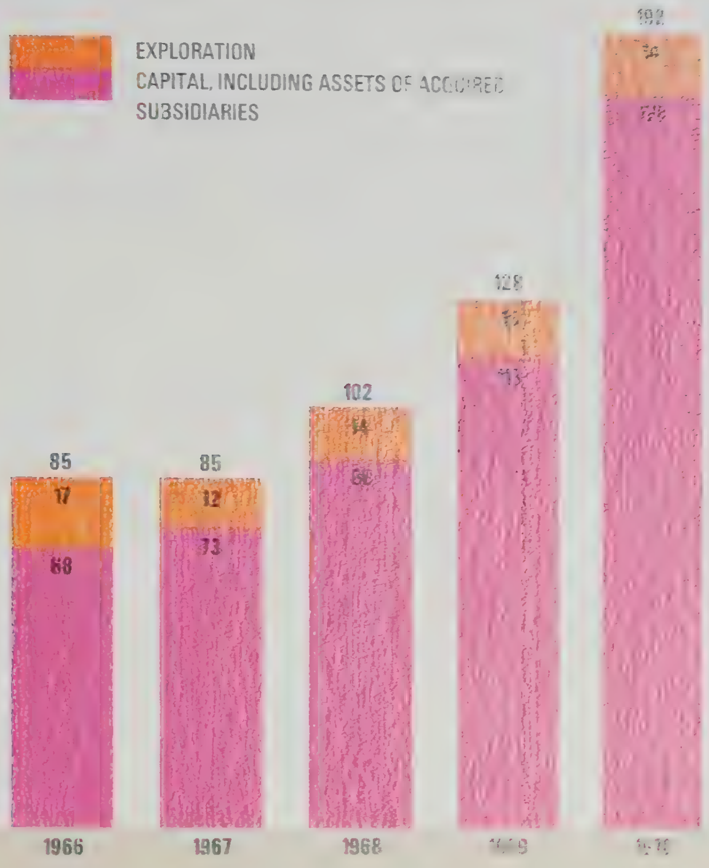
CAPITAL EMPLOYED

MILLIONS OF DOLLARS



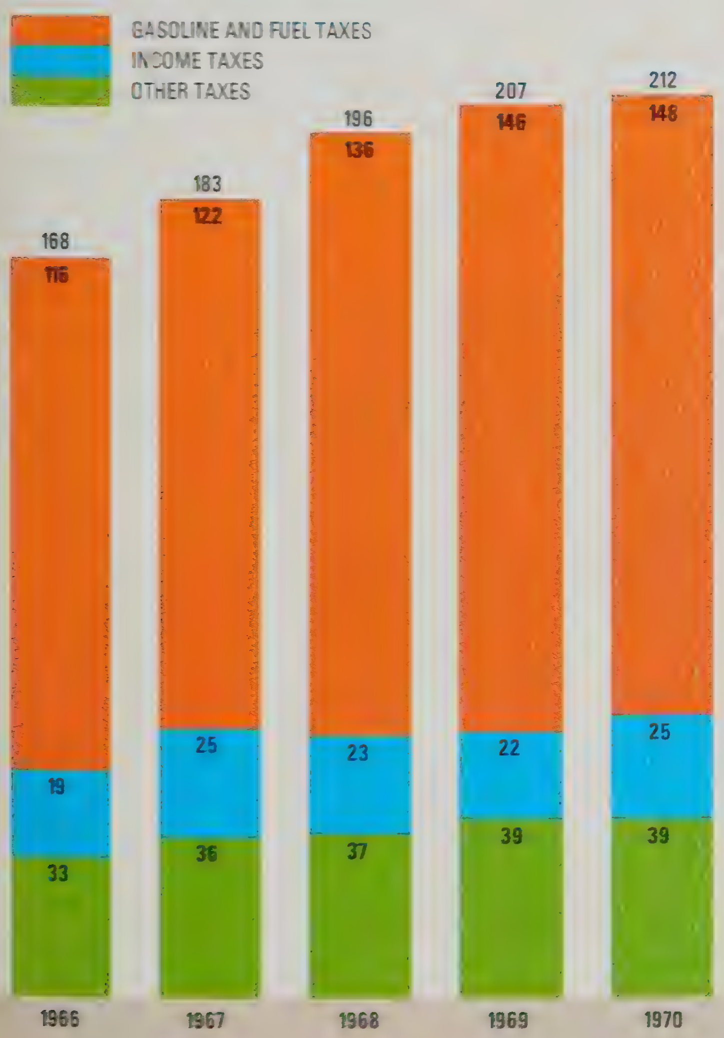
CAPITAL AND EXPLORATION EXPENDITURES

MILLIONS OF DOLLARS



TAXES

MILLIONS OF DOLLARS



FUNDS FROM OPERATIONS

MILLIONS OF DOLLARS

DIRECTORS

J. D. Barrington
Mining Engineer and Corporate Director, Toronto, Ontario
Director: The Algoma Steel Corporation, Limited; Canadian General Investments Limited; National Trust Company Limited; Excelsior Life Insurance Company.

W. Herman Browne
Chairman, Moore Corporation Limited, Toronto, Ontario
Director: The Bank of Nova Scotia; The Steel Company of Canada, Limited.

J. R. Gordon
Director and Member of the Executive Committee, The International Nickel Company of Canada, Limited, New York, N.Y.
Director: Borden, Inc.; The Babcock & Wilcox Company; The Canada Life Assurance Company; The Steel Company of Canada, Limited. Honorary Director: The Bank of New York.

Charles Hay
President, Hockey Canada, Toronto, Ontario
President: Canadian Institute of Public Real Estate Companies. Director: Canada Permanent Mortgage Corporation; Canada Permanent Trust Company; Canadian Nuclear Association; Ontario Research Foundation. Member: Committee on Government Productivity — Province of Ontario.

I. M. MacKeigan, Q.C.
Senior Partner, MacKeigan, Cox, Downie and Mitchell, Halifax, Nova Scotia
Director: Halicon Limited. Member: Economic Council of Canada.

Beverley Matthews, Q.C.
Senior Partner, McCarthy & McCarthy, Toronto, Ontario
Director: The Toronto-Dominion Bank; TransCanada PipeLines Limited; Brascan Limited; Canadian Westinghouse Company, Limited; The Canada Life Assurance Company; Gulf Oil Corporation.

Jerry McAfee
President and Chief Executive Officer, Gulf Oil Canada Limited, Toronto, Ontario
Director: The Bank of Nova Scotia.

Gérard Plourde
Chairman, UAP Inc., Montreal, Quebec
Vice-President and Director: Alliance Compagnie Mutuelle d'assurance-vie. Director: Anglo-French Drug Co. Ltd.; Editions du Renouveau Pédagogique Inc.; Northern Electric Company Limited; Omer De Serres Limitée; Molson Industries Limited; Robert Morse Corporation Limited; Rolland Paper Company Limited; Sidbec Inc.; Steinberg's Limited; The Toronto-Dominion Bank.

Alfred Powis
President and Chief Executive Officer, Noranda Mines Limited, Toronto, Ontario
Chairman: British Columbia Forest Products Limited. Director: Canadian Imperial Bank of Commerce; Placer Development Limited.

R. G. Rogers
President and Chief Executive Officer, Crown Zellerbach Canada Limited, Vancouver, British Columbia
Director: Canadian Imperial Bank of Commerce; Hilton Canada Limited; Ocean Cement and Supplies Limited; Placer Development Limited; Royal General Insurance Company of Canada.

V. W. Scully
Chairman of the Board, The Steel Company of Canada, Limited, Toronto, Ontario
Director: Bank of Montreal; Moore Corporation Limited; Sun Life Assurance Co. of Canada.

C. D. Shepard
Chairman of the Board, Gulf Oil Canada Limited, Toronto, Ontario
Director: The Toronto-Dominion Bank; The Carborundum Company.

R. A. Laidlaw
Toronto, Ontario, Director Emeritus.

GULF OIL CANADA LIMITED

Officers

Jerry McAfee, President and Chief Executive Officer
C. D. Shepard, Chairman of the Board
L. P. Blaser, Senior Vice-President
F. D. Aaring, Vice-President
R. T. Brown, Vice-President
R. E. Harris, Vice-President
V. N. Hurd, Vice-President
D. S. Lyall, Vice-President
J. W. Morgan, Vice-President
G. O. Relf, Vice-President
H. S. Sutherland, Vice-President
G. W. K. Macdonald, Q.C., Secretary
J. C. Phillips, Q.C., General Counsel
R. W. Cochrane, Treasurer
J. A. Scobie, Comptroller

Head Office

800 Bay Street, Toronto, Ontario

Marketing Division Offices

Halifax, Nova Scotia; Montreal, Quebec; Toronto, Ontario; Calgary, Alberta; Vancouver, British Columbia

Chemicals Department

Headquarters: Montreal, Quebec
Plants: Shawinigan, St. Maurice, Ste. Thérèse, Montreal East and Varennes, Quebec

Accounting and Data Processing Centres

Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Research and Development Centres

Sheridan Park, Ontario; Ste. Anne de Bellevue, Quebec

Exploration and Production

Headquarters: Calgary, Alberta
Gas Plants: Pincher Creek, Nevis, Gilby, Rimbey, Turner Valley, Morrin-Ghost Pine and Strachan, Alberta

Pipe Lines

Operated pipe lines—Gulf Alberta, Gulf Saskatchewan, Mid-Saskatchewan, Rimbey, Saskatoon, Shawinigan, Valley

Refineries

Montreal East, Quebec; Point Tupper, Nova Scotia (under construction); Clarkson, Ontario; Moose Jaw and Saskatoon, Saskatchewan; Calgary and Edmonton, Alberta; Kamloops and Port Moody, British Columbia

Principal Affiliates (wholly-owned)

SERVICO LIMITED
Head Office: Quebec, Quebec — President: J. L. Valens

SUPERIOR PROPANE LIMITED
Head Office: Toronto, Ontario — President: R. G. Samworth

Registrar

Canada Permanent Trust Company, Toronto

Transfer Agents

Canada Permanent Trust Company — Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal, Saint John, N.B., Halifax
Registrar and Transfer Company — New York

ENVIRONMENTAL POLICY

1. Gulf Oil Canada Limited recognizes its community obligation to preserve the environment by minimizing emission and noise in all its operations — meeting all regulatory requirements and exceeding them wherever feasible.

2. The Company will co-operate with other industries, associations and/or governments in surveying existing pollution levels, with particular reference to Gulf Canada installations, and will assist in establishing realistic maximum allowable levels and programs to achieve or better them.

3. The Company will actively support the investigation of methods to reduce any pollution caused by the use of its products and will endeavor to supply customers with products that will minimize pollution.

4. The Corporate vehicle for co-ordinating pollution control activities of operating departments and affiliates is the Environmental Affairs Committee, which has the prime responsibility for contact with government agencies in these matters.

5. The Committee will ensure that internal and external communications are utilized to keep employees, government agencies, and the general public advised of significant progress in Gulf Canada's pollution control program.

6. The work of the Committee does not relieve operating management of its responsibilities in the field of pollution control, including the training of employees in the importance of, and procedures for, clean operation.

7. Departmental and affiliated company managements are expected to establish good rapport with local officials and other industries in demonstrating the Company's willingness to co-operate in pollution control matters. The Committee shall be kept fully informed of all pertinent discussions on this subject.

8. In order that duplication of effort may be avoided and Company-wide experience brought to bear upon pollution control matters, operating management is expected to advise the Committee promptly of all relevant developments in their operations.

9. All new projects, whether or not directly concerned with pollution control installation, procedures, or research studies, will be brought to the attention of the Committee early in the planning stage. The Committee will advise on the scope and form of technical facilities, surveys, and operating procedures required to ensure conformance with Federal, Provincial, and Municipal conservation regulations prior to the project proceeding to the construction or installation stage.

PRODUCTS

Gulf Canada meets the needs of the motorist, the home owner, the farmer, and the industrialist with a full line of quality petroleum products and specialized services.

Gulf

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